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### MANAGERIAL ISSUES OF AGRICULTURAL PRODUCTS EXPORT IN INDIA

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#### Abstract

Agricultural sector plays vital role in the total contribution of Gross Domestic Product (GDP) of India, because it is the primary sector in total foreign exchange earnings of India. An agricultural product has wider scope in the international market among the traded commodities. The export value of Agricultural products are slightly fluctuated in every year it is mainly for the reason of the exported volume of agricultural products are standardized from the beginning of the production process such as processing, grading and containerization and the final goods are handed over in the hands of buyer of imported countries. The researcher has used mean, S.D, Growth Rate, Compound Annual Growth Rate and so on. The study concluded that exported agricultural products foreign exchange earnings are fluctuated by way of increasing and decreasing rupee value in the market, unfavorable exchange rate and poor productivity of agricultural products, so effective measures to be taken to increase the agricultural export of India.

**Key words:** Foreign exchange, India Export, Managerial issues and Agricultural products

#### 1. Introduction

Agricultural sector is the backbone in the economic development of the countries. This sector feeding the population through its productivity and reducing the poverty of the people through creation of employment opportunities, increase their earning capacity and also marketing their agricultural output traded to the foreign countries. In India, majority of the people involved in the agricultural activity because export potential of agro-product such as prices, export incentive schemes offered by the government are favorable to the agricultural commodities traded in the international market. In India, export performance of the agricultural product was slightly increased every year it is the symbol of efficient utilization of the resources. But, another side of the agricultural products

export, sustainability in the future would depend on the productivity and the dependability on human resources.

#### 2. Export potential of agricultural products

Agricultural product has the wider scope of export potential in the international trade. It is the goods have been consumed by the consumers in their everyday life for satisfying basic food needs. The following are the export potential factors of the agricultural products.

##### 2.1. Higher demand

Indian agricultural products encompass the higher demand in international market due to the reason of low production, it leads to reduced supply level to the foreign countries, inability to meet the domestic needs, low yield from the cultivation and consumers are eager to prefer the Indian agricultural products.

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## 2.2. Hybrid technology

India introduced the advanced technology in agricultural sector to increase the productivity. By way of introducing the new technology effect to increase the yield level of the agro-production, by means India is the top supplier of the agricultural products in the international market.

## 2.3. Climate factors

It is an important factor to cultivate the agricultural products with the higher potential. India has the wide area of agricultural land, and appropriate climate factors such as optimum level of rainfall, monsoon and so on. But in nowadays, the climate factors was changed due to the reason of the pollution, global warming, encroachment for the development of real estate sectors.

## 2.4. Export promotion council

It is the council established for the purpose of promoting the agricultural products export by India in the international market.

This council is named as APEDA for agricultural products, the products has taken to the international market and various activities are implemented such as provides international market information, market updates and financial arrangements to promote the agri exporters in the field of export.

## 2.5. Pricing mechanism

Agricultural products of india get the favorable prices in the international market due to the reason of demand for the goods and better prices in the market.

## 3. Export performance of agricultural products in India

Agricultural commodities are popularly traded commodities in the international market while compared with other products in the market.

**Table – 1: Export Performance of Agricultural Products in India**

Year	Total exports (Million USD)	Growth Rate (GR)	Agricultural products export (Million USD)	Growth rate (GR)	Percentage of agricultural export	Percent of non- agricultural export
1994-95	17865.4	-----	3202.5	-----	17.9	82.1
1995-96	18537.2	3.760341218	3135.8	-2.08275	16.9	83.1
1996-97	22238.3	19.9657985	4027.5	28.43612	18.1	81.9
1997-98	26330.5	18.40158645	4226.1	4.931099	16.1	83.9
1998-99	31794.9	20.75311901	6081.9	43.91283	19.1	80.9
1999-00	33469.7	5.267511456	6862.7	12.83809	20.5	79.5
2000-01	35006.4	4.591316922	6626.2	-3.44617	18.9	81.1
2001-02	33218.7	-5.106780474	6034.5	-8.9297	18.2	81.8
2002-03	36822.4	10.84840767	5608	-7.06769	15.2	84.8
2003-04	44560.3	21.01411098	5973.2	6.512126	13.4	86.6
2004-05	43826.7	-1.646308485	5901.2	-1.20538	13.5	86.5
2005-06	52719.4	20.29059911	6710	13.70569	12.7	87.3
2006-07	63842.6	21.09887442	7533.1	12.26677	11.8	88.2
2007-08	85535.9	33.97934921	8474.7	12.4995	10.1	89.9
2008-09	103090.5	20.52307861	10213.8	20.52108	9.9	90.1
2009-10	126361.5	22.57337	12683.5	24.18003	10.0	90
2010-11	159006.7	25.83476771	19398.8	52.94516	12.2	87.8
2011-12	173865.3	9.344637679	17774.5	-8.3732	10.2	89.8
2012-13	184770.0	6.2719243	19572.4	10.11505	10.6	89.4
<b>Total</b>	<b>1292862.4</b>		<b>160040.4</b>			
<b>Mean</b>	<b>68045.39</b>		<b>8423.18</b>			
<b>S.D</b>	<b>80.50740044</b>		<b>61.72629055</b>			
<b>CAGR</b>	<b>25.0336029</b>		<b>22.99529204</b>			

**Source:** Directorate General of Commercial Intelligence and Statistics, Government of India

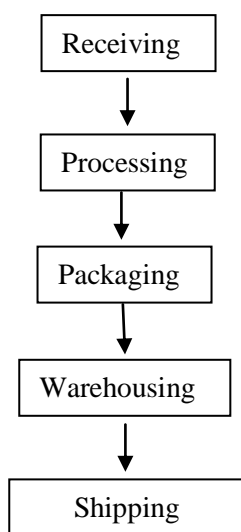


It is the product got the second place among the goods traded in the export basket of country. This table explains the foreign exchange earnings of the agricultural products in the total exported value of the country.

The Table – 1 explain that total export earnings of India was increased in every year gradually from 1994-1995 to 2012-2013. But, agricultural export was decreased in the year 1995-1996. The export values were 3153 US dollars and again the export earnings of the agricultural products were decreased in the year 2002-2003 the value was 5608 US dollars. In 2013, foreign exchange earned by the agricultural products are steadily increased in high level the value of 19572.4 USD, but its contribution in the total exports was only 10.6 percent only. The highest Growth rate of the agricultural products was 52.94 percent in the year 2010-2011.

#### 4. Export process of the agricultural products

Every products exported by the countries are involved with the various process. The process involved with the export of agricultural products is receiving, processing, packaging, and cold storage or warehousing and shipping to the importers.



**Sources:** Authors compilation

#### 5. Problems encountered by agricultural exporters in India

Every business sectors entered in the international trade are faced with the various problems in the field of financial, marketing, human resources and logistics and shipping and so on. The following are the problems are faced by the Indian agricultural products exporter in the international trade. They are.

#### 6. Knowledge gaps and general issues

International trade has involved with the various countries languages and cultures. Exporters traded with the foreign countries are familiarizing with the traded countries language then only they can execute the export order. The following are the issues of language and general issues of international trade.

- Language barriers and inadequate overseas telecommunications facilities
- Lack of knowledge in cultural heritage of importing countries
- Poor guidance concerning assistance with export questions
- Need to hire international personnel
- Inadequate public marketing strategy for export products
- Small number of private trading and export marketing firms are only serving agribusiness
- Absence of a coordinated firm-oriented trade services network
- Poor access to foreign markets due to import restrictions
- Firm awareness and firm-specific implications of foreign safety and health regulations
- Knowledge of trade legislation or political considerations
- Export competition from foreign and domestic suppliers
- Negotiating with foreign buyers

#### 7. Marketing issues of agricultural products

International market condition is entirely different form the domestic marketing. The



international trade requires the updated knowledge to the exporter, while trading with the foreign countries. The marketing issues are.

- Assessment of a firm's readiness to export agricultural products
- Willingness to engage in long-term export planning and to make a long-term commitment to exporting
- Poor knowledge of emerging markets or country-specific information on potentially profitable markets
- Foreign market entry problems, overseas product promotion and selling through foreign distributors
- Product diversification, modification, or adaptation necessary for international markets
- Lack of a state wide computerized trade lead service
- Absence of worldwide product-specific information on market conditions
- Domestic transportation and material handling problems
- International transport logistics, including freight coordination and insurance availability
- Package design for international transport or foreign market regulations
- Licensing regulations and labeling requirements
- Complexity of the export transaction, including documentation and "red tape"

## 8. Financial aspects of exporting

Finance is the life blood of economic development of the firm. Here the researcher has pointed out the some of the issue of the agricultural exporter in the field of finance.

- Enormous initial capital investment associated with exporting, including possible facilities expansion
- Limited access to government-guaranteed export loans
- Limited availability of commercial funds for export expansion

- Unwillingness of banks to serve finance to small and medium-sized businesses
- Inabilities of local banks to deals with in international business finance
- Inventory carrying and lack of working capital financing
- Lack of familiarity in legal matters and export terms of payment
- Length of time for payment receipt for export transactions
- Variation in the exchange value of the foreign currency
- Risk of default on payment
- Availability of risk insurance for international transactions
- Confusion surrounding to domestic and foreign tax treatment and investment incentives
- High and unpredictable interest rates
- Awareness of export profits potential
- Need for an export-oriented benefit and cost analysis

## 9. Suggestions to promote agricultural product exports

### 9.1. Infrastructure development

Infrastructure plays important role in the development of export growth. The major constraints faced by the agro products exporters under the infrastructure facilities include cold storage facilities and transportation. So the APEDA may provide financial assistance to provide the construction of the ware housing and cold storage facilities or private and public company collecting the fund for the development of the infrastructure facilities.

### 9.2. Contract farming

Contract farming is the method of developing supplier for the regular supply of raw materials to the food processing and the export needs of the countries. The method of contract manufacturing would benefit the regular supply of raw material to the production process without interruption.



### 9.3. Human Resource Development

In every stages of the production process cannot to be implemented without the human resources. In economic concept, the factor of production explains that human resource is one of the important inputs in the production process. Now a day people are not ready to involve with the agricultural production activity because of the development of the various industries and educational level, and government schemes and so on. So people are educated with the benefit of the agricultural activity for their effective involvement in the agricultural business.

### 9.4. Market access and information

Exporters are updated with the data of international price fluctuation, market information, and procedures and processed leads to they can make their export products into profitable one.

### 9.5. Financial arrangements

The EXIM bank joined with the export promotion council of agricultural products named as APEDA to provide the financial facility to the exporters through find out the potential exporters and setup branches to the every regional center in India to the easy approach of the exporters for the credit facility.

### 10. Conclusion

The researcher concluded that export of the agricultural products contribution in the total export are gradually decreased for the reason of exporter not having the proper awareness in the field of international traded activities. So export promotion council of APEDA takes effective measures to conduct the awareness programme to the agricultural exporter to update their knowledge in the international trade activities.

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